

FOCUS

ON

Financial Literacy

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Financial literacy is of critical importance to both youth and adults.

Youth spend and influence the use of considerable amounts of money. According to Teenage Research Unlimited estimates (December 1, 2004), teens spent an average of \$91 per week in 2004; collectively, more than \$169 billion. Thus, learning sound financial management skills early in life is important. Yet studies continue to suggest that youth lack basic economic and money management skills. For example, results from a nationwide survey of seniors (Jump\$tart Coalition for Personal Financial Literacy, 2004) indicated that on average, the 12th graders surveyed answered only 52.3 percent of the questions correctly on topics such as income, money management, saving, and spending. Oklahoma youth need to be offered adequate opportunities to learn and practice basic financial management skills in order to function and prosper in this complex, ever-changing world.

While the ability to manage finances wisely is important for youth, it is basic to survival for adults. Certainly the consequences of financial mistakes by adults can be quite costly and long-lasting.

According to the 2000 Census, Oklahoma lagged well below the national average for various measures of income: per capita income \$17,646 versus \$21,587; median household income \$33,400 versus \$41,994; and median family income \$40,709 versus \$50,046. Inadequate income and/or limited financial management skills can make achieving and maintaining a desirable quality of life a major challenge for many Oklahomans.

Poor planning for, and funding of, current and future income needs, inadequate insurance, excessive debt, and lack of wealth accumulation not only affect the welfare of the individual and family, but the economic prosperity of the community and state as well. Cooperative Extension Service programming efforts that focus on financial literacy can help youth, adults, and families better utilize their available financial resources and at the same time, benefit the community and state.



Lynda Harriman

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Financial Literacy...for Youth

Welcome to the Real World

Talk about a rude awakening. Living on a budget for the first time can be hard when you've come to think of your parents as a bottomless supply of cash.

A group of 15 Comanche County teens recently learned what it's like to live on their own. In *Welcome to the Real World*, a class conducted by Maretta Toler, Comanche County Extension Educator, students imagine they are 25, single, and living alone.

The teens selected a job, drew an imaginary monthly salary, and used it to buy necessities. As part of the process, they learned to balance a checkbook and set up a savings account. But they had to watch out! This exercise came with a few surprises, such as doctor bills and unexpected car repairs.

One student from Elgin selected a job as an FBI agent, which gave him a monthly salary of \$3,775. He had chosen to buy an older house in Elgin to have more money for his truck.

Another student managed to stay within her means, but on a considerably tighter salary. As a landscape architect, she got only \$1,277 a month. When it came time to evaluate decisions at the end of the class, this student decided to become an astronomer so that she could afford the home, car, and lifestyle that she wants.

A few participants ran short of cash and had to go to the banker for a loan so they could buy groceries. Several youth had no money left at the end of the month for entertainment and clothing purchases. But if they have to learn the hard way, at least it's in a class exercise and not in the school of hard knocks.

Welcome to the Real World was a three-day camp for youth ages 13-19 and included guest speakers on career exploration, insurance, banking, buying a good used car, and other real-world concerns.

It was adapted from a program developed by University of Illinois Extension.

Maretta S. Toler
Comanche County
Family and Consumer Sciences/
4-H Youth Development
Extension Educator

Consumer Judging

Consumer judging also has provided an opportunity for youth in Marshall County to acquire and practice consumer decision-making skills in an environment where mistakes are not so costly. It has been supported by many stakeholders in the county, who are concerned about youth who lack basic financial management skills.

This program began in 2001 to help youth ages 9-18 prepare for the 4-H Consumer Judging Contest at the Oklahoma State Fair in Oklahoma City. Marshall County youth participating in the contest have secured the 1st place position for the past 3 years.

An improvement in critical thinking skills has been seen among youth who have participated in this program. For example, one youth used these skills in purchasing a vehicle; another youth was able to secure better coverage at a better price on car insurance than her parents.

Since being introduced, the program has been expanded and used as lessons for club meetings, summer workshops, and school enrichment. These activities have included a volunteer leader training using the 4-H Consumer Judging Handbook and "piggy backing" with other 4-H projects; pricing games; scavenger hunts in a discount, grocery, and department store; banking basics with tours to a financial institution; menu planning and evaluation; and quiz bowls. As a county level incentive, 4-H bucks are awarded to the youth, who then make a budget and

buy 4-H items at the 4-H Store at the end of the year. Workshops are now being taught by Marshall County teens using consumer judging classes from prior 4-H Consumer Judging Contests at the State Fair and this past year, the teens created and conducted a Consumer Judging Contest at the County Fair.

Gena Alexander
Marshall County
Family and Consumer Sciences/
4-H Youth Development
Extension Educator

High School Financial Planning Program

Students who participated in the NEFE High School Financial Planning Program® (HSFPP) significantly improved their financial knowledge, behavior, and confidence, according to a nationwide evaluation conducted during the 2003-2004 academic year. Students also improved their financial behavior in the following months.

Dr. Sharon Danes, a professor at the University of Minnesota, conducted the evaluation. A series of questions were posed to students at three points in time: 1) immediately after completing the program, 2) in relation to what they knew before participating in the program, and 3) for a smaller group of students, three months later. For example, before studying the HSFPP, 18.5 percent of the students "almost always" set aside money for future needs and wants. The percentages increased to 28 after the program and to 36.5 three months later. The number of students who said they "almost always" set goals for managing money rose from nine percent before the program to 15 percent immediately after the program and to 24 percent three months later.

Other results indicated that before studying the program, 42 percent of stu-

dents said they “strongly agreed” they knew the difference between needs and wants. The number grew to 67 percent after the program and to 80.5 percent three months later. Similarly, 19 percent of students said they “almost always” felt confident about making financial decisions before studying the HSFPP. The number increased to 29 percent after the program and 37.5 percent in the three-month follow-up.

The High School Financial Planning Program is a six-unit program developed by the National Endowment for Financial Education® (NEFE) and available to schools free-of-charge. It is designed

to help teach high school students about the basics of sound money management. The HSFPP can be taught in as few as 10 hours or extended over a longer period of time, depending on the depth desired, and is generally used as a supplement to ongoing classes. Curriculum materials include Student Guides and an Instructor’s Manual. A web portal and a web-based Teen Resource Bureau also support the program.

Since 1990, the Oklahoma Cooperative Extension Service has partnered with NEFE to assist high school teachers with the planning, implementation, and promotion of the program. A more re-

cent partner is the Credit Union National Association, Inc. and America’s Credit Unions. Between January 2004 and December 2005, HSFPP Student Guides were sent to some 11,700 students in 178 classrooms in Oklahoma.

Reference: “Teens Respond Well to Financial Education, Study Shows,” National Endowment for Financial Education, November, 2004. A complete copy of the evaluation is available at the NEFE Web site (www.nefe.org) in the Education Programs section.

Joyce E. Jones
Extension Specialist
Personal Finance

Financial Literacy...for Adults

Financial Security in Later Life

“Recent research findings describe a dismal financial situation for many individuals and families in the present, but of greater significance, a more dire projection of the situation in the future.” Thus began a statement of the problem in a White Paper on Financial Security in Later Life written by Jane Schuchardt, USDA-CSREES National Program Leader in Family Economics, and Nancy Porter, Family Resource Management Specialist at Clemson University. This White Paper formed the basis for discussion and planning of a new national focus on financial security in later life that was formally launched by the Cooperative Extension System in 2002.

Since that time, financial security in later life programming efforts in Oklahoma have included—among other things—financing long term care; organizing household records for insurance, estate planning, and other purposes; finances and the suddenly single; and what to do when there is a death in the family. Between October 2004 and September 2005, County Extension Educators in 19

counties reported educational programs on the above-listed topics, with audience contacts of more than 4,400. Additional audiences were reached by newsletter and newspaper articles.

For example, Lynda Burns, Harmon County Extension Educator (Family and Consumer Sciences and 4-H/Youth Development), provided a training on Getting Your Records in Order for Oklahoma Home and Community Education (OHCE) leaders in four counties. Since the training was provided shortly after the hurricanes struck the Gulf Coast, inventorying household possessions (primarily for insurance or tax purposes in the event of a loss) became the major focus. The eleven leaders that attended the training all completed a follow-up evaluation. Results indicated that 91 percent of the leaders had already made some changes in their own recordkeeping, such as rent a safe deposit box or purchase a burglarproof, fireproof home safe for valuable records (55%), set up (or revise) a filing system for a home file (45%), or review beneficiaries on insurance policies (45%). All of the leaders indicated they plan to make some changes in the future, such as organize (or reorganize) their recordkeeping system (82%), review how

property/assets are titled (64%), complete an inventory of household possessions (91%), and inventory valuable records (73%). The leaders who attended the training have subsequently utilized the educational materials with an estimated 82 people.

Joyce E. Jones
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Money Smart

Money Smart is an educational program that has helped bogus check offenders avoid criminal charges in Lincoln County. Edwina Kelly, Lincoln County Extension Educator, utilizes a 10-lesson financial education curriculum with individuals and couples on a one-on-one basis. The curriculum was developed by the Federal Deposit Insurance Corporation (FDIC) to help individuals build financial knowledge, develop confidence in handling money, and use banking services effectively.

In Lincoln County, the Money Smart program is used as a court-ordered class for bogus check offenders. The District

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Judge has agreed to defer charges for those who attend the class and who do the homework assigned.

Both the District Judge and the District Attorney Supervisor are extremely excited about the changes in the participants in this program. As one noted, "I haven't seen their name again on my report! This is progress!"

Money Smart program materials include an introduction to banking services, choosing and keeping a checking account, planning and tracking spending,

the importance of saving, consumer rights related to banking and credit, and several lessons on understanding and wisely managing credit (including homeownership). Overheads, handouts, and a teacher's outline are available for each of the lessons. The structured lessons provide a uniform format that can be repeated as needed, with limited additional preparation by the instructor.

Oklahoma Cooperative Extension Service publications on developing a budget/spending plan and setting/

reaching goals are used in conjunction with the program. The Lincoln County Extension Educator also has developed a calendar for use with participants (a monthly budget worksheet) and a small Dollar Tracker that participants can carry around with them (to track everyday purchases).

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